

Health Care System and Health Care Security Board Summary of Meeting on August 30, 2002

The Health Care System and Health Care Security Board met on Friday, August 30th in Room 427, State House. The meeting was called to order by the Chairs, Senator Martin and Representative Volenik. The minutes of the August 5th meeting were accepted.

Funding and Budget Update

As of August 23rd, the Board has a balance of \$474.82 remaining in its Legislative account. Based on past expenditures for legislators' expenses and other Board expenses, staff anticipates that the funds in the legislative account will cover expenses for the September 13th meeting. Future expenses will need to be paid from funds raised by the Board.

Contract Update

The contract with Mathematica Policy Research, Inc. has been signed by all parties and approved by David Boulter, Executive Director of the Legislative Council. The contract will pay Mathematica a fixed amount of \$193,263 for its work. The full amount will be paid in 4 payments of approximately \$50,000 based on the completion of work specified in the contract and Mathematica's proposal. All parties to the contract must agree before any changes or modifications in the contract deliverables, work plan or scope of work can be made. The contract requires Mathematica to complete its work by November 30, 2002.

Update on Database Access

The Maine Health Management Coalition has given final approval to the Board's request for the use of aggregate claims data. Board staff will coordinate with the Maine Health Information Center and Mathematica on a cost estimate for the data acquisition for both Coalition and Medicaid claims data. Cost estimates may be available by the September 13th meeting.

Anthem Blue Cross and Blue Shield has also given their permission for Mathematica to use its aggregate claims data, particularly for the individual and small group markets. This data will complement the Coalition and Medicaid data. The Board has also requested permission to use data from other health insurers in Maine. To date, the other health insurers in the State have not responded. Mathematica will coordinate directly with Anthem for acquisition of this data.

Questions on Design of Single-Payer Health Plan

At the outset, the Board confirmed with Mathematica their intent that the feasibility study model at least 3 scenarios: 1) the cost and economic impact of the "status quo" in the current health care delivery system in Maine; 2) the cost and economic impact of a single-payer model as required by the Board's enabling legislation with a benefit and cost-sharing structure like the Medicaid program; and 3) the cost and impact of a single-payer plan that guarantees a 5% savings over the current system (as required by the enabling legislation).

Then, the Board discussed and formulated answers to each of the written questions forwarded by Mathematica. The questions are reprinted below; the Board's answers are highlighted in bold type and any discussion or explanation is shown in italics.

1. Should the model assume **maintenance of effort** by some (or all) public programs (federal, state and local) as well as by some or all employers (federal, other public, private)? Maintenance of effort would mean that current sources and amounts of funding would be retained in the single-payer system, although the triggers and formulas for their participation might change.

PLEASE CHOOSE ONE OPTION:

- a. **Assume full maintenance of effort and apply current eligibility criteria to projected population. That is, assume continuation of current federal funding for enrollment programs such as Medicare, Medicaid, and SCHIP), as well as direct service provision in programs that target the uninsured (such as HRSA-funded health centers, funding for breast and cervical cancer screening for uninsured women, funding for the AIDS Drug Assistance Program, etc.).**

The Board's answer here lies somewhere between option a and option b (below). If possible, the Board would like to build in flexibility as to changes in federal programs like Medicaid/Medicare so the model can test the impact of alternative assumptions.

- b. Assume federal maintenance of effort as a percentage of current effort, so that the model can test the impact of alternative assumptions (e.g., reduce federal maintenance of effort to 75 percent of current levels).
- c. Assume no maintenance of effort for selected federal programs that target the uninsured.

1. Should the model assume **premium financing**? If so, what entity would pay premiums? If individual premiums, would premiums be adjusted by income?

PLEASE CHOOSE ONE MAJOR OPTION AND PROVIDE DETAILS:

- a. **Assume no premium financing. All costs would be financed through taxes and other general revenue streams and through cost sharing at the point of service (copayments, coinsurance, deductibles)**
- b. Assume **premium financing**

i. **Employers** pay premiums?

1. For which workers?

c. All

d. Some

- Permanent only
- Full-time only
- Other category(ies) of workers

2. What percentage of the cost of coverage?

i. Assume that **consumers** pay premiums:

a. All consumers or some? If some, who (e.g., persons above 250% FPL)?

b. What percentage of the cost of coverage (per paying individual/family)?

3. The Medicaid program includes only nominal cost sharing. Should the model be developed to accommodate more conventional cost sharing? If so, what should we pattern the cost sharing design on?

[Note: Removal of cost sharing (as well as HMOs as vendors) is likely to increase utilization and health care costs significantly for persons now privately insured or enrolled in Medicare, relative to the status quo.]

PLEASE CHOOSE ONE MAJOR OPTION AND PROVIDE DETAILS:

a. Assume cost-sharing only as in current Medicaid policy

b. Assume current Medicaid cost sharing as the basic design and allow the model to accommodate at least one alternative cost sharing design. Specifically:

i. The state employee health plan?

ii. National “average” levels?

iii. Other? Mathematica will provide a technical memo to assist the Board in developing an alternative benefit design by September 9th. Board staff will forward outlines of benefits available under State Employee Plan and prescribed private insurance plans (by Bureau of Insurance Rule 750) to Mathematica. The Board will review and meet to discuss on Friday, September 13th.

4. Will the single-payer health plan benefit include Medicaid's **coverage of long-term custodial care**?

[Note: We did not propose to model long-term care coverage. The Watson-Wyatt model includes only limited SNF and home health care coverage, as is conventional in employer plans. Full coverage for long-term custodial care (ICF care) is likely to significantly raise utilization and cost relative to the status quo.]

PLEASE CHOOSE ONE OPTION:

- a. The model should carve out coverage for long-term custodial care and assume public and private maintenance of effort for this care as currently financed. *The Board assumes that coverage will continue to be provided as provided under Medicaid program for long-term custodial care, i.e. in accordance with current eligibility requirements.***
- b. The model should assume parity coverage and financing for long-term custodial care**

5. The Health Security Board's enabling legislation identifies the following possible **vehicles for financing** a single-payer health plan:

- increasing corporate and individual income tax rates
- increasing sales tax rates
- eliminating sales tax exemptions and exclusions
- establishing a payroll tax dedicated to funding the plan.

Are there any additional revenue sources that we should consider that are not now sources of funding for the State? ***The Board also mentioned increased "sin" taxes (tobacco, alcohol), moving to a gross receipts tax, property taxes on homes of non-residents and increased tolls as options to consider.***

6. Should we assume that **automobile insurance and general liability insurance** will continue to include medical care components (i.e., that the single payer system will not absorb these costs)? ***Yes, for modeling purposes. Board staff will contact Bureau of Insurance to see what, if any, insurance reporting information is***

available that breaks out medical care components for auto, workers' compensation and general liability insurance.

7. How should we model coverage for Maine residents who are employed and/or group-insured out-of-state?

[Note: Whether this population is included or excluded from coverage under the single-payer plan would be moot in the absence of strong incentives to maintain coverage from out-of-state employers. Such provisions might include conventional “crowd out” safeguards, such as an extended ineligibility period (e.g., 6 months to one year) following voluntary termination of coverage by the employer or the employee.]

PLEASE CHOOSE ONE OF THE FOLLOWING OPTIONS:

- a. All Maine residents would be covered under the single-payer plan, regardless of place of employment. This would recognize that Maine has no authority to require maintenance of effort by employers and that out-of-state employers would have strong incentives to terminate coverage for Maine residents.
- b. All Maine residents now insured by an employer out-of-state would retain that coverage. This would presume a fully effective incentive for maintaining coverage, such as a period of ineligibility for Maine single-payer coverage for all residents now insured by an employer out-of-state.**

Conference Call/Next Meeting

The Board will meet in Augusta on Friday, August 13th at 9:00 am in Room 427, State House. Those members that cannot be in Augusta will participate by conference call from Portland and other locations. The purpose of the meeting will be to decide on an alternative benefit design model. Mathematica will forward a memorandum outlining the options for an alternative benefit design on September 9th. The Board will have a chance to review the written questions in advance of the Friday meeting. At 10:00 am, Mathematica will take part in the meeting by conference call to offer technical assistance.